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SUBJECT: BRUSSELS BILAT BREW: FEBRUARY 1

(U) Summary: This issue of the Bilat Brew looks at the local impact due to subprime troubles of the US, blood diamond smuggling in the region, federal budget struggles, the possibility of a national cancer plan, and excessive mercury levels polluting the air. End Summary.

Fortis Continues to Suffer from Subprime Fallout

¶1. (U) Persistent rumors that Fortis faces additional write-offs on its subprime exposure has caused its share price to fall by as much as 10 percent during one day of trading (January 22), alarming the Belgian financial watchdog CBFA to the extent that it forced Fortis to issue a statement alleging that rumors of its subprime exposure were greatly exaggerated. Fortis' share price subsequently recovered, only to be hit again by an announcement from Standard and Poors that it might give a negative, instead of a stable, appraisal of the Belgian bank. Most observers agree that while Fortis may be not itself have trouble with subprime issues, there is still a lot of uncertainty regarding the exposure of ABN Amro, the Dutch bank that Fortis, Banco Santander and Royal Bank of Scotland bought last summer.

Blood Diamonds

¶2. (U) The Antwerp Judicial police are have four different diamond trading firms in Antwerp under investigation. They are accused of trading up to 60 million dollars in blood diamonds from Angola, in violation of the UN embargo. Up to December 2002 (when the embargo was lifted), these companies allegedly smuggled Angolan diamonds via Guinea and South Africa to Antwerp. They are accused of deliberately revaluing the stock of other - legal - diamonds so that the conflict diamonds could pass under the radar screen. As a result, their entire accounting system up to 2003 had to be fraudulent. Six years ago, when the news of this case first broke, Belgian authorities asserted that the allegations were mere slander and part of a plan to give the Antwerp diamond trading center a bad name.

Budget Minister Struggles with 2008 Budget

¶3. (U) Budget minister (and PM hopeful) Yves Leterme has begun a round of so-called budget controls, as a series of yearly assessments to see whether the 2008 budget is still on track. In order to have a break-even result at the end of this year, he will have to find nearly 3.5 billion euros in

savings and /or extra revenues. He claims to have already found 2 billion euros, but the remaining 1.5 billion seems to be the real challenge. Leterme has already hinted that the regions should take on some of the pension burden of the federal government, but has not found a sympathetic ear so far. It does appear, however, that the notional interest deduction will be made more restrictive. Many sources claim that this fiscal incentive is too costly to the GOB in the short term.

National Cancer Plan - A Health Policy Priority

14. (U) Minister for Health and Social Affairs, Laurette Onkelinx, announces a cancer plan - almost. Onkelinx announced that she will hold a three-day debate in February among cancer experts to determine the best national cancer plan for Belgium. A national cancer plan had been part of the French-speaking Socialist party plank, but Onkelinx will not just take the PS plan as it stands. By March 10 she hopes to announce a far-reaching plan that will include federal leadership on cancer research, prevention, screening, and patient care, including longer-term patient studies. She will seek federal government and parliamentary approval before the current government ends on March 23.

15. (U) Onkelinx stressed at a recent press conference that she seeks a national plan, with participation from regions and communities. Onkelinx anticipates having one central coordinating hospital in each region, the Bordet Institute in Wallonia, and the University Hospital of Leuven in Flanders. She already has been in touch with regional ministers of health to start discussion of her plan.

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Mercury Levels High in the Brussels Region

16. (U) Starting January 24, the Interregional Environment Unit measured high concentrations of mercury, especially in the air in the north Brussels suburb of Neder-Over-Hembeek. Levels of mercury concentrations reached 250 nannograms per cubic meter, ten times more than the normal levels of between two and six nannograms per cubic meter. Officials downplayed the possible effect on public health, while at the same time searching for the source of the mercury emissions.

17. (U) By the end of January, Brussels environmental officials had checked factories in the region and pointed the finger at FMM, a company that reprocesses old automobile batteries. The case is now with the environmental crimes unit of Brussels. Investigators are making a thorough search of administrative records, batteries not yet processed, and waste at the FMM factory site, including taking soil samples. The Brussels region asserts that combating environmental crime is a priority for its legal system. Brussels had asked for assistance from Flemish and Walloon authorities to examine the cause of the pollution, leading many to question again why environmental issues are a regional responsibility in Belgium and not under the full purview of the federal government.

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